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C O N F I D E N T I A L SECTION 01 OF 03 LAGOS 000216

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STATE FOR AF/W, AF/EX AND INR/AA
STATE PASS FOR USAID/AFR/WA, AFR/SD, AND EGAT MOTT
STATE PASS TO USTR-AGAMA
GABARONE FOR DROUIN
BAGHDAD FOR MCCULLOUGH
DOC FOR 3317/ITA/OA/KBURRESS AND 3130/USFC/OIO/ANESA/DHARRIS
TREASURY FOR PETERS AND HALL
COMUSNAVEUR NAPLES IT FOR ANAGGIAR

E.O. 12958: DECL: 04/30/2019
TAGS: [PGOV](#) [ECON](#) [KCOR](#) [KCRM](#) [NI](#)
SUBJECT: NIGERIA: BUDGET CONSTRAINTS DRIVING ANTI-FRAUD AND
PEACE PROCESS IN BAYELSA

REF: A. LAGOS 184
[1](#)B. LAGOS 74
[1](#)C. LAGOS 201
[1](#)D. ABUJA 601

Classified By: Consul General Donna Blair, Reasons 1.4 (B,D)

[1](#)1. (C) Summary: On April 21, the Director General of the E-Government and Due Process Bureau of Bayelsa State, Dimieari Von Kemedi told PolOff and Lagos Consular Section Fraud Prevention Manager that a small clique of senior officials of the State Finance Ministry allocated ghost and duplicate workers among themselves, funneling the salaries of non-existent workers, duplicate salaries, and the excess from inflated salaries of lower level workers into their own bank accounts. Kemedi asked for tips in recognizing fake documents and said the state plans to crackdown on these bogus workers. He expected that the corrupt officials would fight back against any anti-fraud measures, but remained confident that the state government could weather the resulting storm. Kemedi also said it was imperative to halt the monthly payments made to militant commanders by the state and suggested this was one factor driving a joint initiative between the Ijaw Youth Council (IYC) and the Bayelsa State government to encourage militants to surrender their arms and re-integrate in society. Kemedi expects an outbreak of militant attacks to follow the cessation of the payments, but expressed confidence that the situation would be brought under control because the people of Bayelsa were tired of the violence and no longer supported the militants. The budgetary constraints facing Bayelsa are severe and eliminating fraud and payments to militants would go a long way to making the State solvent, provided savings are used to develop the state. Whether the combination of a vague amnesty offer and a halt to payments followed, presumably, by action from the Joint Task Force (JTF) will be sufficient to halt the violence in Bayelsa State remains to be seen. End Summary.

Bayelsa State to Combat Payroll Fraud

12. (C) Director General of the E-Government and Due Process Bureau of Bayelsa State, Dimieari Von Kemedi, told Lagos Consular Fraud Prevention Manager and PolOff on April 21 that Bayelsa State is facing severe financial difficulties as a result of cutbacks in the federal allocation to the states. Bayelsa State had budgeted Naira 180 billion (\$ 1.2 billion) for fiscal 2009, but in fact has never received more than Naira 7 billion (\$ 47.5 million) in any month to date this year. At this rate the annual allocation would amount to only 84 billion Naira (\$ 570 million). As a consequence, state planning must be revamped and cost savings realized.

13. (C) According to Kemedi Bayelsa State pays 2.6 billion Naira (\$ 17.7 million) monthly in salaries to 28,000 state employees. (Note: the figure of 28,000 employees includes public service employees who are not officially "civil servants," but are paid from the state budget. Teachers and health staff at state facilities are examples of such non-civil service public service workers. End Note.) By comparison, Lagos State pays 3 billion Naira (\$ 20 million) per month for roughly 70,000 employees. Kemedi attributed the excess payments in Bayelsa to payroll irregularities including workers who do not exist (so-called "ghost" workers), duplicate employees who were paid multiple salaries, and salary inflation with virtually all of Bayelsa's state employees receiving "senior salaries"

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regardless of function or qualification. In a first step to reducing the payroll costs, the State government requested the various departments list their civil servants, resulting in a consolidated list containing roughly 4,000 names compared to the approximately 7,000 people currently receiving civil service salaries via the Ministry of Finance.

Fighting Fraud with Age-Old Methods

14. (U) Kemedi requested tips from the Consulate's Fraud Prevention Manager on how to identify "ghost" workers. The Lagos Fraud Prevention Manager advised him first to employ simple methods such as requesting multiple forms of ID, checking reference numbers and comparing signatures, comparing format and font-type on employment documents and conducting background checks. Kemedi welcomed the suggestions because they can be implemented with only a moderate investment in training for the team of young college graduate Youth Corps members that Bayelsa wishes to use to investigate payroll fraud.

15. (C) Asked if the governor did not fear a backlash from the people who were profiting from the current situation, Kemedi said that the number was not great and that the linchpins work for the Finance Ministry. According to Kemedi, a small clique of senior officials of the Finance Ministry allocate the ghost and duplicate workers among themselves, ensuring that the improper salaries are paid directly into the bank accounts of the corrupt clique. He said corrupt officials would certainly fight back, but he remained confident that the state government could weather the resulting storm. "I'll start getting SMS death threats," he admitted, but added that when the state introduced a transparent procurement process last year private contractors had also been very angry and made threats. In the end, however, the new procurement measure resulted in saving the state 18 billion Naira (\$ 122.5 million) in 2008, according to Kemedi.

Millions of Dollars Paid Monthly to Militants

16. (C) Kemedi claimed that Bayelsa State pays 500 million Naira (roughly \$ 3.4 million) per month to militant

commanders, with the understanding they will refrain from launching attacks in the state. Kemedi said it was imperative to stop these payments because the state could no longer afford them and indicated they had already been reduced and would "soon" be stopped completely. (Note: At the Ijaw Youth Council Summit in Yenagoa on February 6 (Ref B), Ijaw leaders and Governor Timipre Sylva (PDP) of Bayelsa State urged the militants to leave the camps, surrender their weapons and allow themselves to be reintegrated into society. The militants were given a 90 day ultimatum to respond to this offer, after which, they were told, they would be treated as criminals. Although not explicit, Kemedi implied that payments to militant camps would end at the expiration of the 90 day ultimatum in the first week in May. End Note.) Kemedi expects an outbreak of militant attacks to follow the ending of the payments, but expressed confidence that the situation would be brought under control because, he said, the people of Bayelsa were tired of the violence and no longer supported the militants.

17. (C) Comment: The budgetary constraints facing Bayelsa are severe; eliminating fraud and payments to militants would go a long way to making the State solvent, provided savings are then used to develop the state and not simply diverted to the

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pockets of others. Whether the combination of a vague amnesty offer (Ref D) combined with a halt to pay-offs followed, presumably, by action from the Joint Task Force (JTF) will be sufficient to halt the violence in Bayelsa remains to be seen. Without an end to the violence, economic development in the state will continue to be inhibited by security concerns.

18. (U) This cable was cleared by Embassy Abuja.
BLAIR